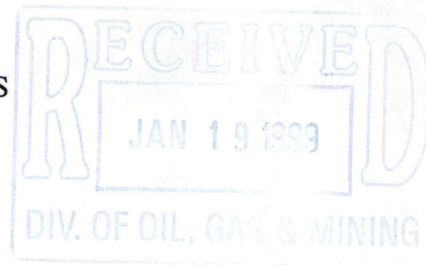


STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple - Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940



ANNUAL REPORT OF MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program. An operator conducting mining operations under a Notice of Intention must file an annual operations and progress report (FORM MR-AR) with the Division.

I. General Information

1. Report Time Period: From (mo./yr.) 1/98 To (mo./yr.) 1/99
2. DOGM File Number (Mine No): M 037 / 040
3. Mine Name: Velvet Mine
4. Mineral(s) Mined (or permitted to mine): Uranium and Vanadium
5. Type of mine ☐ Surface Mine or ☒ Underground Mine
6. Legal Description (Location of Lands Affected):
1/4, 1/4, 1/4, Section 3, Township 31S, Range 25E
1/4, 1/4, 1/4, Section , Township , Range
1/4, 1/4, 1/4, Section , Township , Range
7. Name of Operator or Company: U.S. Energy Corp.
8. Permanent Street Address: 877 N. 8th W.
City, State, Zip: Riverton, WY 82501
Phone: (307) 856-9271
9. Company Representative (or designated operator):
Name: Daniel Arima
Title: Environmental Coordinator
Business Address: 877 N. 8th W.
City, State, Zip: Riverton, WY 82501
Phone: (307) 856-9271
☐ Please check if any of the above information has changed since previous year.

II. Mining and Reclamation

1. Was there any mine related activity during the past year? Yes ☐ No ☒
2. If no - what was the last year of activity? 1984
3. If yes - how much ore or mineral was mined? _____

4. Briefly describe the type of work performed, volume of material moved, and any new or additional surface disturbances that occurred during the past year.

5. How much **additional acreage** was disturbed during the past year? 0

6. How much acreage was **reclaimed** during the past year? none

7. Briefly describe the reclamation work performed during the past year. This description should include methods employed, and an evaluation of the results.

8. What is the **total disturbed acreage of entire project** at years end? 21.9

9. Briefly summarize any mining and/or reclamation plans for the upcoming year.

There are no plans for reclamation. The treatment plant and mine site will remain on a care and maintenance status until a decision is made in 1999 to dewater the mine for evaluation and/or preparation for mining operations.

NOTE: Section III., "Additional Information" applies only to **large mining operations**.

III. Additional Information

1. An updated surface facilities map should be attached if there have been significant changes since the previous map was submitted.
2. Any monitoring results or other reports that are required under the terms of the approved notice of intention should also be attached.

IV. Signature Requirement

I hereby certify that the foregoing is true and correct.

Name (Typed or Print):

Daniel Arima

Title of Operator:

Environmental Coordinator

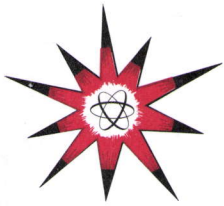
Signature of Operator:

Daniel Arima

Date:

January 6, 1999





U. S. ENERGY / CRESTED CORP.

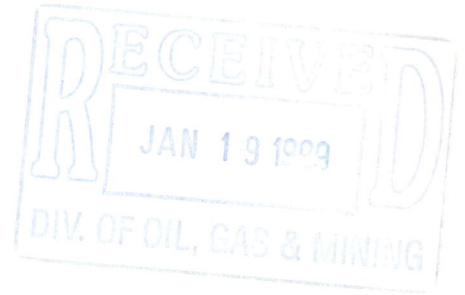
877 North 8th West

(307) 856-9271

Riverton, Wyoming 82501

January 6, 1999

Mr. D. Wayne Hedberg
Permit Supervisor
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
P.O. Box 145801
Salt Lake City, UT 84114-5801



Re: Annual Report for the year 1998.
U.S. Energy Corp.

Dear Mr. Hedberg:

Please find enclosed the completed annual report for the Velvet Mine, Mine No. M/037/040.

Yours truly
For U.S. Energy Corp.

Daniel Arima
Environmental Coordinator

DA/cg